

12 Steps for Home Buyers

Buying a home is probably the largest financial commitment you'll ever make in your lifetime. The buying process can either be a rewarding experience or one of the biggest nightmares you'll ever have. Your overall experience will be determined not only by how well prepared you are, but also by how knowledgeable those persons helping you are. While there is no pre-defined path to a pleasant home-buying experience, there are steps that you as a homebuyer can take to ensure a smooth transaction.

Step 1. Selecting a Realtor

This will probably be the most important step in the home buying process. Although not everyone chooses to use a Realtor when searching for their home, enlisting the aid of a Realtor can make all the difference in the home buying process. A Realtor is your partner (for all intents and purposes) on your journey to home ownership. They will be your confidant, both on a business and personal level. They will also be your guide, providing advice and recommendations that are in your best interest. Your Realtor will be the one dealing with any problems encountered along your journey, helping to relieve you of some of the stress often associated with the home buying process.

For these reasons, it is important that you be selective when searching for a Realtor. Choose someone that makes you feel comfortable and that listens to your needs. If necessary, ask the agent to provide references. Most agents are accustomed to this request and will not object to your asking. Once you select an agent that you're comfortable with, be sure to sign a buyer's agent agreement. This will insure that the agent you've selected is working for and representing you exclusively.

Step 2. Home Buyer's Consultation

This is where the groundwork is laid for the search for your new home. There are several points that you'll want to cover in your initial consultation. Make sure you cover, and fully understand, the following points with your agent. These points are just a guideline and are in no way absolute. You may have other issues that you would like to address with your agent. Just consider these points a way of getting started.

- Define exactly what your needs are, such as the number of bedrooms, number of bathrooms, the size of the kitchen, where you want to live, what your price range is, what your timeline is, and so on.
- Let the agent know how often and at what times you'll be available to look at prospective homes. Verify all your contact information and exactly how you want the agent to contact you (such as email, phone, etc.). You'll also want to specify just how often you'd like to be updated.

- Ask the agent about financing. While your agent is not a broker, he/she can give you a better understanding of the different types of loan programs available, and refer you to lenders that can answer your specific questions.
- Cover the paperwork. Many agents have copies of all the paperwork you'll be required to sign throughout the buying process. While not absolutely necessary, this will allow you the advantage to ask questions about documents before it's actually time to sign them.
- Sign a buyer broker agreement. This protects you and the agent by confirming that the agent is going to represent you and your interests only throughout the entire process.

Step 3. Selecting a Lender

For the most part, selecting a lender is a matter of personal preference. Many people often shop around, looking for a lender that offers the lowest rate. More often, however, people will choose a lender based on a referral from an agent or friend. Most lending institutions will offer the same basic programs, such as FHA, VA, conventional fixed rate, etc.; and most will meet or beat another lender's rates. What usually separates one lender from another is their "niche" product. An example would be a lending institution that specializes in low down payments, as compared to another that specializes in self-employment financing. Most agents will be able to point you in the right direction based on your particular situation.

Step 4. Meeting the Lender

In most cases, this will happen in conjunction with step 3. Once you've selected a lender, you'll want to speak with a loan officer as quickly as possible. At this point, there is one thing you should know. **Pre-qualifying means absolutely NOTHING.** All pre-qualifying does is determine the amount of the loan you could qualify for based on a few factors such as your credit, salary, etc. This does not guarantee in any way, that a lender will actually loan you the money.

If you want to have one over on the next guy, get **PRE-APPROVED.** Pre-approval means that your application has been submitted to a lender who is willing to extend you a loan up to a specific amount, pending a property and appraisal. Being pre-approved not only makes you, the buyer, more comfortable knowing you won't be denied for a loan, it also provides you with leverage to negotiate the purchase price of a home with the seller. From the seller's standpoint, a buyer who's been pre-approved is a buyer with "cash-in-hand", who's serious about purchasing the home with little worry about the deal falling through. Just be sure that once you've been pre-approved, you **have a clear understanding** of what your total estimated payment will

be and the estimated cash you will need to complete the loan (from beginning to closing).

Step 5. Find a Home

This is often the most thrilling part of the process. But, if you're not careful, it can get out of hand. The best way to proceed is to limit the number of homes you look at in a single day. Visiting too many homes back to back can make it difficult to remember one house from another. It's usually a good idea to create a checklist of homes to look at, and check them off as you visit them. Not only is this helpful in reminding you of which homes you visited, it will also allow you to eliminate homes from your search more quickly. For instance, if you liked house #2, but found house #3 more enticing, then you could eliminate house #2 right away. Just remember, communication is crucial. Make sure that you can explain to your agent why you like or don't like a particular house. The more you communicate with your agent about your preferences, the better he/she will be able to find exactly what you're looking for.

Step 6. Select a Home

After narrowing the search down to 2 or 3 homes that you are really interested in, your agent will do whatever research is necessary to aid you in making your decision. Ultimately, however, it is your decision. Some tools that can help you make that final decision can include school reports (if you have or are planning on having children), statistical information of interest from the local chamber of commerce, future zoning or road expansion from local planning offices, etc. Whatever the factors of importance are to you when purchasing your home, have the agent help you find that information.

Once you have selected a single home to focus on, your agent will conduct a comparative market analysis on that property. This involves determining "fair market value" by looking at what other buyers were willing to pay for properties similar to yours in the same neighborhood or area.

Step 7. Making an Offer

Now that you know the "fair market value" of the home you've settled on, it's time to determine just how much and under what terms you are willing to pay for the home. Establishing this prior to making a formal offer helps you to define your personal limits. You will need to determine how much you will offer, how much earnest money deposit you will offer, how much of the closing costs you will ask the seller to pay, when you plan to settle, and what inspections you plan to have conducted. Your agent can offer tons of great advice for structuring your offer. Remember to ask your agent about

contingencies and their importance in writing an offer. If you don't fully understand something, be sure to clarify it.

After presenting your offer, a seller will do one of three things. Accept your offer outright, reject it, or counter your offer. It's quite possible for the counter process to go back and forth several times. It's important to be flexible during this phase. Determine what's negotiable and non-negotiable. Be willing to give a little on things of lesser importance to you. This will help the negotiating process immensely. The main thing to remember is to stay cool and objective. Everyone has the same goal in mind: to complete the transaction.

Step 8. Inspections and Contingencies

HAVE A HOME INSPECTION DONE! This is a very necessary process, used to ensure that your new home is free from defects that could potentially cost you thousands of dollars later to repair. Home inspections will often reveal problems that you can have the seller correct before agreeing to purchase the home. This is known as a contingency.

Most offers are usually contingent offers. This means, that the offer is contingent on another factor, such as a favorable home inspection or the ability to obtain insurance. In general, contingencies are safeguards for both buyers and sellers, but should not be overdone. In addition, it is important to meet all deadlines and that all contingencies are met exactly the way the offer describes. Your agent is responsible for making sure contingencies are written correctly.

Step 9. Selecting an Attorney

The sales contract will decide who gets to choose the attorney to represent the sale. This is normally the buyer's decision. If you don't have a particular attorney or title company in mind, your agent can recommend one. The attorney is responsible for ordering a survey, title insurance, conducting a title search, and drawing up all of the documentation. They will also conduct a settlement. It is important to note that the attorney does not represent the buyer, nor seller. They represent the transaction itself. Their job is to make certain that all of the terms previously agreed to have been met. If any problem(s) were to arise, the buyer and seller would need to retain separate attorneys to resolve the issue(s).

Step 10. The Walk-Through

Most sales contracts allow you, the buyer, a pre-settlement inspection of the home. This is basically the last chance you have before signing to ensure that everything is satisfactory. You'll want to read the contract carefully, but most read that all electrical systems, plumbing, appliances, heating, and air conditioning units are in good working order at the time of settlement. You'll want to pay particular attention to these items. You'll also want to pay close attention to anything the seller agreed to repair or replace as part of the sales contract. If for some reason, the seller has not repaired or replaced a particular item, you have several options. The seller can:

- A. Remedy the issue prior to settlement
- B. Credit you the amount of money it would take for you to have it fixed/replaced, or
- C. Promise to correct the issue and place into escrow with the attorney the amount of money that would be needed for you to resolve the problem, should the seller fail to make good on the promise.

On new home purchases, a pre-settlement walkthrough works a little differently. The builder will usually do a walk-through with a buyer 1 to 2 weeks before closing to create a "to-do" list of items that need to be corrected. Hopefully, they will get everything completed by the settlement date. If not, most new-sales contracts allow the builder to complete any remaining repairs within a reasonable period of time after closing (usually 90 days).

Step 11. The Closing

This is the day you "sign your life on the dotted line". At this point, you will be signing all of the loan documentation, which can seem never-ending. During the settlement, the attorney should be able to explain every document to you in a satisfactory manner. Do not ever feel intimidated. If you come across something you don't understand, don't sign. Your agent will help you understand everything. If you like, you can request blank copies of the documents you will be signing in advance so that you can carefully review them. You will decide at the settlement whether you want owner's title coverage or just lender's. You will have to present whatever down payment and closing-cost funds you were expected to pay. This check must be certified as personal checks are usually not accepted.

Step 12. Moving In

This is the last and probably the most daunting part of the home buying process. Be sure to plan wisely, and provide yourself with a timeline and checklist to follow. You'll want to decide whether to hire a moving company or rent a truck and go it alone. It's usually best to compare the cost of

moving your items yourself, with quotes from a couple moving companies. Most movers will usually ask to come to your home, so they can get an idea of how much they will have to move and the distance they will need to travel. Don't forget to submit your change of address forms with the post office, your banks, and any creditors at least 30 days in advance. Call to confirm receipt of your new address information to reduce the chances of late payments. Also, it's usually a good idea to notify your utility companies of your move at least 10 days prior to your scheduled move-in date. This will allow them time to schedule disconnects and hookups that coincide with your moving schedule. If you planned well, everything should go smoothly.